

## Weekly Report – December 4, 2013

### Budget Conference Committee

- Budget conferees and staff continue to work towards a deal. House Republican conferees continue to press for a package that includes net deficit reduction, no tax increases, and possible sequester relief.
- Budget Conference Committee deadline December 13.

### The Budget Schedule Ahead

- CR expires January 15, 2014
  - The House and Senate remain \$91 billion apart on their topline discretionary spending levels. The current spending level is \$986.3 billion.
- Debt Ceiling Suspension Ends February 8, 2014
  - The Bipartisan Policy Center estimates that this will add \$600 billion to the debt ceiling.
  - CBO recently released estimates that extraordinary measures will extend Treasury's borrowing authority through mid-March at the earliest and June at the latest.



### CBO Releases Updated Volume of Budget Options

- CBO recently released its Options for Reducing the Deficit: 2014 to 2023
  - CBO published 10-year savings scores on over 100 proposals pertaining to mandatory spending, health programs, discretionary spending, and revenues. <http://www.cbo.gov/publication/44715>

### RSC 2014 Budget – Initial Staff Meeting

- The Budget and Spending Task Force will host its first staff level meeting the week of December 9<sup>th</sup>. The meeting agenda will introduce staff to the RSC Budget process and help foster discussion for policy priorities in the 2014 Budget.
- Please contact either Will Dunham with RSC at x:6-0718 or [will.dunham@mail.house.gov](mailto:will.dunham@mail.house.gov) or Nick Myers in Congressman Woodall's Office at x: 5-4272 or [nick.myers@mail.house.gov](mailto:nick.myers@mail.house.gov) if you are interested in joining the BSTF.

### Spending Reductions on the House Floor

#### Savings Scoreboard

<b>Cuts considered last week:</b>	<b>\$325,000,000</b>
<b>Cuts passed last week:</b>	<b>\$325,000,000</b>
<b>Cuts considered this year:</b>	<b>\$160,808,000,000</b>
<b>Cuts passed this year:</b>	<b>\$99,355,000,000</b>

The latest data on spending cuts and deficit reduction measures considered on the House floor is profiled in the "Savings Scoreboard." All figures are reductions in direct spending over 10 years. Methodology and a detailed breakdown of cuts are available upon request (RSC Staff Contact: Will Dunham, [will.dunham@mail.house.gov](mailto:will.dunham@mail.house.gov), Ex. 6-0718)

## The Next GOP Crackup? –*Republican spenders want to break the annual budget caps.*

The [ObamaCare](#) rollout has handed Republicans a remarkable gift, and they are now ahead in the polls for which party should run Congress. The main obstacle to GOP political gains in 2014 would be another stupid, futile budget standoff—and Republicans are just the party to try.

This time the insurrection isn't coming from the Heritage Foundation-tea party caucus, but from defense hawks and appropriators who want to break the annual spending caps in current law. This would be another act of political masochism, handing budget leverage to Senate Democrats and frustrating the GOP's fiscal conservative base.

The defense rebellion is led by Armed Services Chairman Buck McKeon, who wants Congress to cancel the \$20 billion Pentagon spending cut for fiscal 2014. Many of the 34 Republicans on his committee are threatening to vote against a fiscal 2014 budget that keeps the caps and automatic sequester in place.

Meanwhile, GOP House appropriators want to scrap discretionary budget caps. In a recent letter to House colleagues, Appropriations Chairman Hal Rogers of Kentucky and the 12 "cardinals" who chair subcommittees complained that the 2014 sequester cuts "would result in more indiscriminate across the board reductions that could have negative consequences on critically important federal programs, especially our national defense."

This uprising is another migraine for Speaker [John Boehner](#). If 20 or so GOP Members vote with [Nancy Pelosi](#) to ditch the budget caps, Republicans can't pass a government funding bill before the current continuing resolution expires early next year. This could trigger another shutdown and pell-mell political retreat that makes the GOP again look like the gang that couldn't shoot straight.

Republicans would be wiser to stick to the Budget and Control Act's spending caps, which have been highly effective in controlling discretionary spending. Federal outlays declined to \$3.45 trillion and 20.8% of GDP in fiscal 2013 from \$3.6 trillion and 24.1% of GDP in 2011. In 2010 discretionary spending peaked at 9.4% of GDP, but in 2013 it was down to 7.6% and in 2014 will fall to 7%. A testament to the success of the caps is that nearly every Democrat and spending lobby in Washington is desperate to get rid of them.

The appropriators and defense hawks exaggerate how severe the cuts are. The budget caps forced deep cutbacks in fiscal 2012 and 2013, but those were off the inflated spending baselines from Mr. Obama's first two years in office. The nearby table shows that after 2014 the caps start to rise again and merely require slower than usual spending increases. Domestic spending increases by \$88 billion, or 19%, from 2014 to 2021. Defense spending in particular takes a hit in 2014 but increases in 2015 and keeps rising by \$92 billion to \$590 billion, or 18%, in 2021.

Mr. Obama calls this overall spending increase of about \$800 billion a "cut" because of the annual automatic baseline increases that Washington invented to ensure that spending always rises. The caps also assume no emergency spending for floods, hurricanes, bad crops, military flare-ups and so on. If you believe Congress won't discover spending "emergencies," you probably still think you can keep your health plan.

Mr. McKeon is sincere in his concern for U.S. national security, and in normal budget times we would support his priorities. It speaks volumes about Mr. Obama's priorities that he devised a sequester that requires 50% of total cuts to come from national security that is 17% of the budget, but no cuts from income-transfer programs that account for well over half the budget.

But budgeting is a political act, and at the current moment the caps and automatic sequester cuts are the only negotiating leverage Republicans have with Democrats. The minute the White House and Senate Democrats sense that Mr. Boehner lacks 218 votes to pass a budget, the liberal price of a deal will soar. They'll insist on even more non-defense spending—\$55 billion more next year, and \$20 billion in tax increases.

In the worst scenario, the appropriators rebel and break the caps, which leads to a backlash by the tea party, which could leave Mr. Boehner having to accept tax increases to pass any budget and avoid a shutdown. Mr. McKeon and GOP appropriators like Tom Cole of Oklahoma will have essentially made [Harry Reid](#) the House Speaker.

The lesson of the recent budget fiasco is that Republicans are nowhere if they don't stick together to maintain a majority of 218 votes. To avoid a repeat, GOP veterans need to abandon their parochial interests for the greater good. And Mr. Boehner must finally show enough leadership and toughness to keep his Members in line.

### Spending Discipline

Annual discretionary spending caps under current law (in budget authority in billions of dollars)

	Defense	Non-Defense	Total
2013 (actual)	\$518	\$469	\$988
2014	498	469	967
2015	512	483	995
2016	523	493	1,016
2017	536	504	1,040
2018	549	517	1,066
2019	562	531	1,093
2020	576	544	1,120
2021	590	557	1,147
2014-21 % increase	18%	19%	19%

Source: Committee for a Responsible Federal Budget